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RAILROAD PROPERTY TAXATION
IN MISSOURI

DISCUSSION PAPER

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DIVISION OF RAILROADS
MISSOURI DEPARTMENT OF TRANSPORTATION

JANUARY 1979

RAILROAD PROPERTY TAXATION IN MISSOURI

The interaction between the rail industry and state governments occurs on a multitude of levels, many of which cannot be isolated to address individually. State policies toward rail taxation provide revenues to the state but, at the same time, have an effect on the cost, level, employment, and quality of various services and on the overall state economic situation (see Tables 1 and 2). In general, state tax policies as they pertain to transportation augment the state treasury; however, they also impact the competition among the different modes of transportation and, subsequently, those services provide both to rail users and the general public.

As has been pointed out in a number of studies and reports, the economic forecast for the rail industry is bleak. Although it is a given premise that the rail industry should pay its share for governmental services, property tax payments to state and local governments amounted to \$287,000,000 in 1975. Though representing an average of only 14/100 of 1 percent of total revenues and only 28/100 of 1 percent of total tax revenues, that \$287,000,000 represents 2.99 cents of every railroad revenue dollar (see Table 3). The availability of those funds equivalent to 1977 taxes would have enabled the railroad industry to purchase over 14,000 freight cars or 750 locomotives or rehabilitate between 20,000 - 30,000 miles of track. At the same time it would have increased the rate of return from 1.26 percent to 2.78 percent, which is still well below acceptable standards for the rest of the industrial community which averages a 13.3 percent rate of return.¹

The rail property tax is the most difficult tax to understand. This stems from the fact that railroads are not confined to one state, they are not bought and sold frequently, and, finally, no standard method has been agreed upon and implemented to determine the value of a railroad in different taxing jurisdictions. The modern American property tax is an ad valorem levy, one based upon the value

of property. For tax purposes, the universal value of a property is its market value -- the price a willing buyer would pay a willing seller on a given date for the highest and best use of the property. It has also been defined as:

"The price at which a property could be sold on a given date if the seller had ample opportunity to seek out the highest bidder, and the bidders, in turn, had ample opportunity to inform themselves of the characteristics of the property and to ascertain the terms upon which alternative properties, if any, could be bought."²

Two types of railroad property, real and personal, are susceptible to taxation. Real property is composed of land and, usually, the structures built upon that land (also defined as property that is fixed and not movable). Personal property is divided into two categories: (i) tangible -- includes such items as vehicles, rolling stock, equipment, tools, supplies, materials in inventory, etc., and; (ii) intangible -- which encompasses deposits, mortgages, notes, loans, franchises, money and other capital, and various rights/claims (i.e. patents, easements, water rights, etc.). The unique nature of railroad taxation requires that another distinction be made in taxable property between operating and non-operating property. The rail industry often owns various (sometimes quite large) amounts of property not used specifically in railroad operations (nonoperating property). In most taxing jurisdictions, nonoperating property is taxed as if it were owned by an ordinary taxpayer.

In Missouri, the State Tax Commission (STC) has the exclusive power of original assessment of the distributable property of railroads as they are classified as a public utility (those business organizations performing a public service and subject to special governmental regulation). The STC requires from each railroad an annual itemized report of physical property, a financial statement, and such other information as will enable the Commission to study each particular rail company. When an assessment is made, dates are set for hearings and each company is notified and given an opportunity to be heard before a final valuation is determined (see Table 4). After these hearings the Com-

mission, acting as a Board of Equalization, equalizes the valuations. Then the Commission as such determines the distributable valuation per mile (see Table 5 for railroad valuation per mile), allocates the valuation of each company among the counties (see Table 6 and Figure 1), road districts, fire protection districts, water districts, cities, towns, sewer districts, junior college districts, ambulance districts, county library districts, nursing home districts, etc. (see Table 7) in which the company has mileage and certifies the same to the county clerks and rail company.³ Missouri's property tax breakdown is as follows:

Base: Taxable Property--operating and nonoperating realty, tangible personalty.

Valuation: Methodology (for centrally assessed property)--non-unitary (see Figure 2); original cost less depreciation on rolling stock; value of roadbed, right-of-way, main, branch, and yard track set by commission at so much value per mile less obsolescence
Buildings - original cost less depreciation
State values operating: localities value non-operating

Assessment Ratio: (applied to centrally assessed property)--rolling stock, 33 1/3 percent; track and roadway, 100 percent; buildings, 20 percent

Allocation Factors: Rolling stock only; all track miles.⁴

Missouri is presented with the problem of continuing to tax the declining rail industry, knowing that the state might possibly be compelled to subsidize it later. If the State of Missouri considers that privately controlled rail operations are vital to the economic health of the state, should it then consider authorizing changes in the present tax structure in order to aid the industry?

Tax relief is not a new concept to government and has been implemented at various times to assist different industries achieve goals, such as furthering industrial and economic development, revitalization of declining industries, disaster recovery relief, and general stimulation of the economy. The various mechanisms used to implement a tax relief program generally have taken the form of adjustments to the tax base, reduction in tax rates, full or partial exemptions

from some portion of the tax; or provision for a tax credit. All of these tax relief mechanisms are applicable to the property tax issue. It is important to remember that in many states the state administers the tax but the localities collect the revenues (in Missouri the state collects only 0.5 percent of total property tax collected, the remaining 99.5 percent stay with the localities). Further, if the state both levies and collects property taxes on operating railroad property, the localities may levy a tax on nonoperating rail property. The alteration of the property tax will, therefore, have the greatest effect on localities, which rely on property taxes for a major portion of their revenues and have relatively greater revenue problems than does the state.

A simple tax relief method would be to exempt from property taxation either or both operating and nonoperating railroad property. Similar in effect to this would be the exemption of railroad property from valuation, assessment, or application of the tax rate. Another action that has been advocated, though the political feasibility may not be good, would be for those states utilizing a classification system of property taxation, to exempt the railroads from its class; or as an alternative the state could give a partial exemption such as removing of 'x' number of feet of operating right-of-way from property taxation, excluding certain factors from the allocation formula, or exempting intangibles from taxation. Tax relief from rail property taxes could also be accomplished by altering/lowering the assessment ratios, by changing the various factors in the allocation formula, or by adjusting the applied tax rate to such property. Any subcomponent of any step in the administration of the tax could be altered, adjusted, or reduced to provide assistance to the rail industry.

A state may also develop a property tax deferral program which would allow the railroads to invest those property taxes owed the state in any given year; the railroad would then be required by the state to repay the tax in depreciated dollars at a mutually agreed upon later date, contingent upon such factors as net

• railway operating income (NROI), return on investment (ROI), etc. For example, if the railroad chose to invest the property tax rather than pay it, it might have to repay the tax on a sliding scale based on the rate of return on investment (computation to be defined in legislation), in the form of the following:

<u>Rate of Return on Investment</u>	<u>Tax Pay-Back</u>
5% or more	100%
4 - 4.99%	90%
3 - 3.99%	70%
2 - 2.99%	50%
1 - 1.99%	40%
0 - .99%	35%
Deficit	30%

The tax investment for any given year could be repaid in 5, 10, or any given number of years.

The discussion of various property tax relief mechanisms up to now has focused on the right-of-way or fixed property of a railroad, but there are possibilities of such relief mechanisms on railroad rolling stock. At the present time there exists an inadequate and in some instances poorly maintained fleet of freight equipment available. Therefore an appropriate tax relief mechanism would be for a state to use tax relief funds for both the acquisition of new cars and repairs to the existing fleet. The major difficulty with this mechanism is the fact that a state may be hesitant in expending funds to buy or repair equipment which may spend very little or perhaps even no time within their borders. However, freight cars as they are handled today are in the nature of fungible goods and the fact remains that for each car purchased or put back into service one will be available for use of the industry. Thus, there would be a benefit to the economy of the state.

Another such tax relief mechanism in regard to rolling stock is the possibility of a state, or perhaps several states forming a coalition, using the railroad taxes to acquire grain cars which would be kept in a pool at certain key locations. These cars would be available to the railroads at peak periods of demand either without cost or at a nominal charge. When the demand has passed, the cars would be returned

to their pools until the next peak emergency. Such a solution would go a long way in solving the car shortage but would require a great deal of managerial ability on the part of the involved state or states to direct the movement of the cars to appropriate areas and to ensure their return.

While in the preceeding section certain hypothetical examples of tax relief mechanisms were discussed, following paragraphs will examine proposed or current programs. In the evaluation of each program, two basic questions will be raised: (i) Does the tax relief mechanism address specific problems of the railroads, local and state governments, and the economy? (ii) Are those jurisdictions losing revenues compensated directly or indirectly? The first question will ascertain a particular program's ability to respond to specific aspects of state/local needs for an efficient rail system and also the railroads various operations, such as obsolete terminals, unprofitable branch lines, deteriorated track, and depressed earnings. The second question indicates how the program will account for the financial and political difficulties accompanying a reduction in governmental revenues. It is important to remember that a jurisdiction can be compensated either directly through payments from other governmental resources or indirectly through the increased revenues arising out of sustained or improved rail service.

During the late 1950's, the State of New York was experiencing an exodus of railroad property investments due primarily to the fact that locally administered property taxes had increased to a point where the railroads found it more economical to locate new investments in operating property in surrounding states. To alleviate the problem, a program was established to place a ceiling on local taxes on railroad operating real property, and to compensate the localities for one half of their lost revenues. The state felt that rail properties kept in operation by federal and state funding solely for the social, economic, and environmental benefit of local communities should not be forced to bear the burden of local tax-

ation. Such a mechanism as utilized in New York could also be legally applied in a state whose constitution mandates full value assessment and reserves all taxing powers to the localities because the mechanism is not an exemption program which would imply differential assessment or assessment by the state. On the one side, the New York program is attractive since it recognized that earnings have a bearing upon value; it is thus related to the railroad's ability to pay. Since localities are compensated for their revenue losses, the program, to some extent, addresses their revenue problems due to the fact that localities are highly dependent upon property tax as a source of revenue. However, there are also some unattractive features to this program including: (i) does not alleviate problems of obsolete terminals or unprofitable branch lines; (ii) localities may shift tax increases to nonexempt rail property in order to recoup that lost portion of tax revenue not reimbursed by the state, and; (iii) program does not tie tax relief to any specific state policy or objective thereby giving the state no way to influence the railroads on where to reinvest the forgiven taxes.

New Jersey's program is similar to that in New York, in exempting the bulk of rail property from taxation and reimbursing localities for lost revenues. In 1966, New Jersey modified their property tax to encompass three classes of railroad property, two of which were then exempted from taxation. To shift the tax burden even further, a state sales tax was enacted in which expenses for rolling stock, repair and replacement parts, and locomotive diesel fuel oil were exempt, to provide substitute revenues. The effects of this program are that the railroads are relieved of all the taxes the exemption program allowed, and localities are reimbursed the full amount of their revenues while losing the right to tax railroad operating properties. Part of the tax burden has been shifted through the sales tax to other taxpayers while some remained with the rail industry itself through the sales and use tax and the state tax on non-exempt railroad property. The program also provides revenue stability for all jurisdictions, and responds

well to the problems of the special tax burdens imposed upon railroads by virtue of their ownership of their rights-of-way and passenger facilities. Finally, by exempting certain kinds of property, New Jersey indicated how it desired the railroads to make investments.

Of those property tax relief mechanisms in existence, South Dakota's is the least complicated and addresses, to a major degree, branch lines. The basic program, begun in 1975, allows repairs to branch lines in a county to be amortized over a three year period as a credit against county property taxes, providing an incentive for railroads to invest in track repair. If a railroad repairs or replaces a branch line--one yielding no more than one million net ton-miles per year--then each year for three years it can claim up to one third of its expenses for the work as a credit to reduce a maximum of one third of its property tax bill in that district. Conceptually, the program looks favorable in that (i) it responds to a specific problem (branch lines) by providing tax relief; (ii) it identifies individual branch lines, and; (iii) a portion of the railroad's tax liabilities have been reduced. However, there have been a number of problems/shortcomings with the program, including: (i) there is no way to quantify the effect of the tax credits, it is uncertain whether it has spurred maintenance or encouraged the retention of service on marginal branch lines; (ii) in some instances, the counties and the railroads did not act in good faith with one another; (iii) some counties were not satisfied with railroad documentation for repairs and would not allow the tax credit, furthermore, many counties were not convinced the expense of repairs prorated to their area were always attributable to the portion of line actually located within their borders; (iv) the limitation of the tax credits to branch lines hampered the program's effectiveness; (v) the tax credits were quickly consumed by routine maintenance, thereby reducing the incentives to upgrade the roadbeds; and, finally, (vi) although counties may benefit from the impact of sustained or improved rail service, they are not compensated directly for lost tax revenues.

The State of Wisconsin is discussing tax relief mechanisms for the rail industry at the present time. Railroads in Wisconsin currently pay property taxes on the value of their track and rights-of-way, but at the same time are exempt from the state corporate income tax. The current trend of thought in Wisconsin is to eliminate the property tax and impose instead the corporate income tax. This concept would address the inequity of taxing the rail lines whether or not they made any money. It would also put the railroads in a position comparable to their main competitor, the trucking companies, who do not pay property taxes on the public highways. This proposal could generate between \$2-4 million annually for those railroads operating in Wisconsin.

The State of Michigan has recently enacted a law whereby a credit of 25¢ is given for every dollar which is spent for maintenance, rehabilitation, or improvement of the railroads in its state. The railroads are required to file with their property tax return a statement documenting all expenditures made during the previous year in the state for such purposes and after the state has fixed the assessment and determined the total tax, the credit is allowed against that tax computation. This leaves to the railroad the discretion as to where it can best spend its money but at the same time ensures the state that the credit will only be received for work done within the state. Governmental control is exercised through the audit of the reported expenditures of the railroad. It must be pointed out that in Michigan this approach has no local impact because railroad property taxes are paid to and retained by the state. The state's only concern is to insure the continual maintenance of railroad property in the state and it does not have to be concerned as to which taxing district or districts are being affected by the improvements since they are not contributing to the cost through the tax relief program.

Several other states have also developed certain exemptions or special provisions. The most common is the exemption of right-of-way which has long

been granted by Pennsylvania, Massachusetts, and Delaware. This exemption can be logically justified on the theory that the trucks and the water carriers both have their rights-of-way provided out of government funds and pay no taxes on them. The railroads, on the other hand, not only maintain their own rights-of-way but pay taxes on them as well. Thus, they are placed at a competitive disadvantage which can be ameliorated if not eliminated by the granting of tax exemptions on that right-of-way. Here again, there are no state controls over the money thus saved. Since the exemption of right-of-way is based on the theory of competitive equality, it can be argued that a "no strings" exemption is appropriate.

The rail tax relief programs discussed within the body of this paper illustrate the potential complexity of constructing such programs and also points out the extent states are willing to commit both time and personnel to develop such a program in order to retain and improve needed rail services. This would suggest that any type of rail tax relief may be developed and be considered feasible once there has been established an understanding of the inequities in funding state transportation programs, an understanding of the financial condition of the rail industry, and, finally, an understanding of the variety of interrelationships of these two problems. Thus, enactment of any such program will require an extensive flow of information between the railroads, the legislature, the governor, the state transportation agency, and the general public.

Once the necessary information has been exchanged and the need to retain vital, viable rail service has been validated, the feasibility of a state developing a rail tax relief program will hinge on these primary considerations: (i) the rail tax relief program must provide incentives to gain industry participation; (ii) the program must be simple, easy to administer, and legal; and (iii) the program must have quantifiable results and benefits to make it politically acceptable. A state tax relief program which permits a railroad a full or partial tax credit for reha-

bilitation or maintenance work completed in the state is an excellent example of how a state can have its rail system improved; the railroad has its taxes reduced and the program is simple to administer.

State officials have every right to expect that in granting a tax relief mechanism that the money thus saved by the railroads will be used to improve their facilities so that the state economy will not only be maintained but will be in a position for future development. Therefore, the state will want to exercise some control to ensure that these monies are reinvested in rehabilitation and improvement of rail facilities which will be of benefit. On the other hand, the state must not hamstring railroad management in its managerial decisions by excessive regulation. Obtaining a proper balance between these two interests is a difficult but not impossible task.

At this time, the Division of Railroads of the Missouri Department of Transportation (MoDOT) favors a property tax relief mechanism similar to that found in South Dakota. Such a mechanism is based on individual branch lines in which for every "so many" dollars a railroad puts into rehabilitation/maintenance for a particular line, then that amount would be subtracted from the amount of property tax the railroad pays on that line (up to the maximum property tax collected on that individual line). In other words, what MoDOT desires to implement is virtually a 'swapping' of property tax dollars for rehabilitation purposes. This type of mechanism is basically a local program in which the county forgives the collection of property taxes on a line in return for retained service/maintenance/rehabilitation with MoDOT's concurrence on the lines selected.

Benefits (see Table 8) accruing to such a tax relief mechanism include:

(i) such a tax mechanism could be quantified by the fact that the line could be upgraded to FRA Class I or II by a combination of the tax mechanism itself and state input of monies available through the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act); (ii) a multi-party contract between the state, rail-

road, and the county would be in existence to insure that good faith between all parties is retained; (iii) track inspectors would be brought in to ensure quality of work accomplished; (iv) such a mechanism could eventually be broadened to include obsolete terminal operations, etc. but the immediate goal is individual branch lines which are of most concern to the shippers located on those lines; (v) counties, though not benefiting by direct compensation of lost tax revenues, stand to lose more than property taxes. The lines that would benefit most from a tax relief program such as this are those lines currently listed as potential candidates for abandonment thus the county could lose the line itself; by losing property taxes the county, by rehabilitation of such a line, could experience increased economic development by retention of service. And, finally, (vi) the state would be able to implement specific policies and objectives through such a mechanism by being able to exert its influence as 'middleman' between the railroads and the counties. Such a property tax relief mechanism could eventually mean an additional \$1-1.5 million dollars annually that would be available for branch line rehabilitation and maintenance.

The railroad industry is burdened with \$287,000,000 annually of state and local property taxes. This amount is a substantial factor in the subsequent costs of providing rail services and has an unfavorable impact on the economics of branch lines. It appears that the development of a rail tax relief program is an excellent way to both preserve local rail service, aid the railroad industry to return to economic viability, and contribute to local economic viability. Additionally, such tax relief in the form of tax credit/tax relief programs used by a railroad for rehabilitation and maintenance ensures to a state that such proceeds would remain within that state's borders. Rail service can survive as a vital element in the nation's total transportation system and contribute to the nation's economic revitalization, if the rail industry and public policy makers work together. Cooperation such as this creates an environment that would be conducive to the rail industry's continuing evolution toward its future dimensions.

Table 1

State Taxes Imposed Upon Class I Railroads, 1976*

State	Operating Property	Capital Value	Corporate Income					Sale & Use
			Net Income	Franchise (Net Income)	Gross Income			
					G(a)	S(b)	Admin.	
Alabama	x	x	x			x		x
Alaska								
Arizona	x		x					x
Arkansas	x	x	x				x	x
California	x			x				x
Colorado	x	x	x					x
Connecticut						x	x	x
Delaware	x		x					
Florida	x			x			x	x
Georgia	x	x	x				x	x
Hawaii								
Idaho	x		x					x
Illinois	x	x	x					x
Indiana	x		x				x	x
Iowa	x		x					x
Kansas	x	x	x					x
Kentucky	x		x					x
Louisiana	x	x	x			x		x
Maine	x		x			x		x
Maryland	x					x	x	x
Massachusetts	x			x				x
Michigan	x		x					x
Minnesota			x			x		x
Mississippi	x	x	x			x	x	x
Missouri	x	x	x				x	x
Montana	x			x			x	
Nebraska	x		x					x
Nevada	x						x	x
New Hampshire	x			x				
New Jersey	x			x			x	x
New Mexico	x	x	x				x	x
New York	x	x				x	x	x
North Carolina	x	x	x					x
North Dakota	x		x					x
Ohio	x	x				x	x	x
Oklahoma	x	x	x					
Oregon	x		x				x	
Pennsylvania	x	x	x			x	x	x
Rhode Island	x					x	x	x
South Carolina	x	x	x					x
South Dakota	x							x
Tennessee	x	x		x			x	x
Texas	x	x					x	x
Utah	x			x			x	x

Table 1 (con't)

State Taxes Imposed Upon Class I Railroads, 1976*

<u>State</u>	<u>Operating Property</u>	<u>Capital Value</u>	<u>Corporate Income</u>			<u>Gross Income</u>			<u>Sale & Use</u>
			<u>Net Income</u>	<u>Franchise (Net Income)</u>		<u>G(a)</u>	<u>S(b)</u>	<u>Admin.</u>	
Vermont	x							x	x
Virginia	x						x	x	x
Washington	x					x		x	x
West Virginia	x	x	x				x	x	
Wisconsin	x							x	x
Wyoming	x							x	x
Dist. of Columbia	x			x					x

* Sources: All States Tax Handbook, 1977, Prentice Hall, Inc., Englewood Cliffs, N.J., 1977, and Commerce Clearing House State Tax Guide.

(a) General gross receipts tax applicable to all other businesses.

(b) A special gross receipts tax applicable to either railroads or public utilities.

Table 2

Line Haul Mileage And Railroad Taxes By State, 1975*

<u>State</u>	<u>Mileage (a)</u>	<u>Mileage Rank</u>	<u>Tax Amount (b)</u> (in 000's)	<u>Tax Rank</u>
Alabama	4,534	20th	\$ 7,697	22nd
Alaska	670	46th	227	48th
Arizona	2,036	36th	9,605	15th
Arkansas	3,522	25th	6,676	28th
California	7,291	8th	45,998	1st
Colorado	3,384	29th	8,562	18th
Connecticut	634	47th	184	50th
Delaware	291	48th	530	45th
Florida	4,075	22nd	7,825	21st
Georgia	5,414	13th	8,852	17th
Hawaii	0	51st	0	51st
Idaho	2,631	34th	5,208	35th
Illinois	10,555	2nd	42,564	2nd
Indiana	6,357	9th	13,282	12th
Iowa	7,547	4th	6,991	27th
Kansas	7,514	5th	13,710	10th
Kentucky	3,517	26th	6,441	30th
Louisiana	3,710	24th	7,013	26th
Maine	1,660	40th	1,601	42nd
Maryland	1,062	43rd	5,234	34th
Massachusetts	1,404	42nd	4,619	36th
Michigan	5,901	11th	10,989	13th
Minnesota	7,294	7th	22,988	5th
Mississippi	3,432	28th	4,012	38th
Missouri	6,010	10th	15,079	9th
Montana	4,862	18th	7,862	20th
Nebraska	5,360	14th	8,992	16th
Nevada	1,573	41st	3,682	40th
New Hampshire	751	45th	261	47th
New Jersey	1,676	39th	7,214	24th
New Mexico	2,057	35th	2,310	41st
New York	5,215	15th	20,404	7th
North Carolina	4,104	21st	7,039	25th
North Dakota	5,060	16th	3,971	39th
Ohio	7,506	6th	28,134	3rd
Oklahoma	4,897	17th	6,089	31st
Oregon	3,043	32nd	8,106	19th
Pennsylvania	7,837	3rd	23,168	4th
Rhode Island	139	49th	1,304	43rd
South Carolina	3,033	33rd	4,184	37th
South Dakota	3,352	30th	461	46th
Tennessee	3,181	31st	13,457	11th
Texas	13,255	1st	20,679	6th
Utah	1,726	38th	6,460	29th

Table 2 (con't)

Line Haul Mileage And Railroad Taxes By State, 1975*

<u>State</u>	<u>Mileage (a)</u>	<u>Mileage Rank</u>	<u>Tax Amount (b)</u> (in 000's)	<u>Tax Rank</u>
Vermont	767	44th	\$ 216	49th
Virginia	3,848	23rd	17,063	8th
Washington	4,723	19th	7,280	23rd
West Virginia	3,460	27th	9,700	14th
Wisconsin	5,733	12th	5,513	32nd
Wyoming	1,778	37th	5,462	33rd
Dist. of Columbia	30	50th	970	44th
Total:	199,411		\$475,868	

* Source: Association of American Railroads, Yearbook of Railroad Facts, 1977 Edition.

(a) Miles operated jointly by two or more railroads and two or more parallel tracks are not duplicated. Mileage of yard tracks and sidings also are not included.

(b) Includes data for Class II and switching and terminal companies in addition to Class I railroads.

Table 3

State and Local Property Tax Collections, 1975*

(in millions)

<u>State</u>	<u>Property Taxes Collected From Class I Railroads</u>	<u>All Property Taxes</u>			<u>Percentage of Total Collected From Railroads</u>
		<u>Local</u>	<u>State</u>	<u>Total</u>	
Alabama	\$ 3.689	\$ 178.9	\$ 31.4	\$ 210.3	1.75
Alaska	0	0	0	0	0
Arizona	8.416	525.9	114.7	640.6	1.31
Arkansas	3.981	211.7	1.8	213.5	1.87
California	31.144	8,561.0	374.7	8,935.7	.39
Colorado	6.602	699.1	1.7	700.8	.94
Connecticut	0	1,150.0	0	1,150.0	0
Delaware	0.070	75.7	0	75.7	.09
Florida	7.084	1,553.2	58.2	1,611.5	.44
Georgia	6.173	877.7	6.6	884.3	.70
Hawaii	0	0	0	0	0
Idaho	3.895	157.7	.03	158.0	2.47
Illinois	28.370	3,184.0	4.5	3,188.5	.89
Indiana	11.515	1,172.6	25.0	1,197.6	.96
Iowa	3.757	796.6	0.1	796.7	.47
Kansas	11.322	619.2	13.9	633.1	1.79
Kentucky	4.405	321.7	37.3	359.0	1.23
Louisiana	1.270	346.4	0.2	346.6	.37
Maine	0.221	186.3	131.5	317.8	.07
Maryland	2.447	932.1	59.8	991.9	.25
Massachusetts	1.275	2,500.4	0.5	2,500.9	.05
Michigan	7.707	2,830.7	121.0	2,951.7	.26
Minnesota	3.290	1,005.7	2.2	1,007.9	.33
Mississippi	3.097	254.7	3.3	258.0	1.20
Missouri	7.296	926.7	4.4	931.1	.78
Montana	4.877	246.9	16.8	263.7	1.85
Nebraska	8.452	494.9	0.1	495.0	1.71
Nevada	2.138	146.0	20.0	166.0	1.29
New Hampshire	0.169	280.4	5.6	286.0	.06
New Jersey	3.514	3,204.1	71.2	3,275.3	.11
New Mexico	1.377	105.9	13.8	119.7	1.15
New York	9.776	7,420.9	25.9	7,446.8	.13
North Carolina	3.696	679.3	32.7	712.0	.52
North Dakota	2.775	134.8	1.7	136.5	2.03
Ohio	19.686	2,292.6	98.2	2,390.8	.82
Oklahoma	2.580	342.6	0	342.6	.75
Oregon	5.233	775.4	0.1	775.5	.66
Pennsylvania	5.225	2,023.1	60.1	2,083.2	.25
Rhode Island	0.265	267.4	5.3	272.7	.10
South Carolina	3.646	325.8	3.9	329.7	1.11
South Dakota	0.340	197.6	0	197.6	.17
Tennessee	11.126	545.7	0	545.7	2.04
Texas	10.269	2,625.3	36.7	2,662.0	.39
Utah	4.800	210.6	0.2	210.8	2.28

Table 3 (con't)

State and Local Property Tax Collections, 1975*

(in millions)

<u>State</u>	Property Taxes Collected From <u>Class I Railroads</u>	All Property Taxes			Percentage of Total Collected From Railroads
		<u>Local</u>	<u>State</u>	<u>Total</u>	
Vermont	\$ 0.049	\$ 146.1	\$ 0.5	\$ 146.6	.03
Virginia	10.367	848.6	20.1	868.7	1.19
Washington	3.802	580.6	271.5	852.1	.45
West Virginia	7.060	192.5	0.4	192.9	3.66
Wisconsin	3.150	1,203.4	126.7	1,330.1	.24
Wyoming	4.869	130.1	7.0	137.1	3.55
District of Columbia	0.364	147.1	0	147.1	.25
Total:	286.631			56,447.3	

*Source: U.S. Department of Commerce, Bureau of the Census, Governmental Finances in 1974-75 (Washington, D.C.: U.S. Government Printing Office, Sept. 1976).

Table 4
Missouri
Railroad Property Valuation

<u>Railroad</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1975-1977 Percent Change</u>
Atchison, Topeka & Santa Fe	\$ 14,447,511	\$ 14,074,895	\$ 12,659,101	-12.4
Bevier & Southern	53,015	50,366	47,717	-10.0
Burlington Northern	35,234,162	31,369,248	28,717,714	-18.5
Chicago, Milwaukee, St. Paul & Pacific	4,101,023	3,772,931	3,075,904	-25.0
Chicago Northwestern	2,265,529	2,217,204	2,050,073	- 9.5
Chicago, Rock Island & Pacific	9,634,491	8,724,338	8,170,858	-15.2
Illinois Central Gulf	8,469,987	7,972,590	7,423,688	-12.4
Illinois Terminal	441,918	403,482	367,149	-16.9
Kansas City Connecting	SOLD			
Kansas City Public Service	34,983	SOLD		
Kansas City Southern	12,214,411	10,104,460	8,857,228	-27.5
Kansas City Terminal	4,580,046	4,078,657	3,927,945	-14.2
Manufacturer's Railway	2,757,578	2,583,300	2,622,276	- 4.9
Middlebrook, Graniteville & Bellevue	3,360	3,192	3,024	-10.0
Missouri-Illinois	2,900,224	2,528,064	2,206,626	-23.9
Missouri-Kansas-Texas	10,682,799	9,282,303	8,527,010	-20.2
Missouri Pacific	43,330,105	42,293,175	43,282,970	- 0.1
Amtrak	1,410,570	1,330,280	1,646,981	+14.4
Norfolk & Western	23,704,037	22,033,484	20,323,396	-14.3
St. Joseph Belt	118,529	110,169	104,586	-11.8
St. Joseph & Grand Is.	192,071	184,753	176,759	- 8.0
St. Joseph Terminal	106,613	99,019	90,663	-15.0
St. Louis-San Francisco	42,651,950	40,960,485	39,436,186	- 7.5
St. Louis Southwestern	15,804,261	15,508,190	14,446,714	- 8.6
TRRA	7,592,282	6,989,679	6,566,203	-13.5
Union Pacific	162,155	153,263	146,911	- 9.4
Union Terminal	274,501	262,622	249,302	- 9.2
Total:	\$243,168,111	\$227,090,149	\$215,126,984	

Average percent change from 1975 - 1977 is -11.5 percent.

Table 5

Missouri Railroad Valuation Per Mile, 1977

<u>Railroad</u>	<u>Mileage in Mo.</u>	<u>Valuation Per Mile</u>
Atchison, Topeka & Santa Fe	265.77	\$ 47,631.79
Bevier & Southern	9.61	4,965.35
Burlington Northern	1,063.28	27,008.61
Chicago & Northwestern	89.54	22,895.61
Chicago, Milwaukee, St. Paul & Pacific	134.74	22,828.44
Chicago, Rock Island & Pacific	424.51	19,247.74
Illinois Central Gulf	232.67	31,906.51
Illinois Terminal	1.64	223,871.34
Kansas City Southern	196.97	44,967.40
Kansas City Terminal	7.33	535,872.44
Manufacturers Railway	5.11	513,165.56
Middlebrook, Graniteville, & Bellevue	2.50	1,209.60
Missouri-Illinois	59.89	36,844.65
Missouri-Kansas-Texas	333.45	25,572.08
Missouri Pacific	1,146.44	37,754.24
Amtrak	471.64*	3,492.03
Norfolk & Western	620.06	32,776.50
St. Joseph Belt	2.33	44,886.70
St. Joseph & Grand Island	0.14	1,262,564.29
St. Joseph Terminal	0.12	755,525.00
St. Louis-San Francisco	1,231.91	32,012.23
St. Louis Southwestern	192.61	75,005.01
Terminal Railroad Assoc. of St. Louis	23.28	282,053.39
Union Pacific	.51	288,060.78
Union Terminal	4.31	57,842.69
Total:	6,520.36 mi.	

Average valuation per mile is \$177,198.40.

*Trackage rights only, Amtrak owns no mileage within the state..

Table 6

Assessed Property Values For Missouri Counties
and Railroads, 1977

<u>County</u>	<u>Total Assessed Property Value-County</u>	<u>Total Assessed Property Value-Railroad</u>	<u>Percent of Railroad Property Value to County Property Value</u>
Adair	\$ 60,392,508	\$ 1,669,875	3
Andrew	42,259,866	1,134,563	3
Atchison	42,586,524	1,083,576	3
Audrain	83,911,141	2,869,698	3
Barry	40,389,832	1,237,593	3
Barton	35,818,941	3,093,061	9
Bates	50,630,275	2,605,588	5
Benton	37,334,964	406,320	1
Bollinger	24,408,288	0	0
Boone	245,279,372	2,308,190	1
Buchanan	218,760,124	3,731,767	2
Butler	73,199,455	1,891,487	3
Caldwell	31,377,049	1,667,678	2
Callaway	92,473,902	1,413,332	2
Camden	79,740,348	131,250	0
Cape Girardeau	176,614,397	2,923,641	2
Carroll	67,230,663	3,867,240	6
Carter	8,137,013	0	0
Cass	132,566,873	3,958,143	3
Cedar	21,862,793	0	0
Chariton	59,847,909	2,756,114	5
Christian	37,802,456	482,104	1
Clark	34,864,080	2,080,355	6
Clay	527,179,185	2,656,644	1
Clinton	51,452,898	1,589,318	3
Cole	165,701,149	1,662,541	1
Cooper	51,029,633	2,158,904	4
Crawford	40,980,133	2,442,365	6
Dade	23,830,324	941,800	4
Dallas	22,695,762	0	0
Daviess	33,306,116	1,424,139	4
DeKalb	28,551,443	444,292	2
Dent	34,282,869	405,275	1
Douglas	21,590,194	0	0
Dunklin	74,725,527	4,525,490	6
Franklin	191,929,851	3,668,507	2
Gasconade	40,347,452	995,641	2
Gentry	30,411,977	1,840,844	6
Greene	520,306,843	3,360,064	1
Grundy	36,245,636	835,187	2
Harrison	38,327,076	955,024	2
Henry	61,160,482	2,113,827	3
Hickory	14,664,813	238,491	2
Holt	35,122,974	1,819,300	5
Howard	35,026,425	1,043,084	3

Table 6 (con't)

Assessed Property Values For Missouri Counties
and Railroads, 1977

<u>County</u>	<u>Total Assessed Property Value-County</u>	<u>Total Assessed Property Value-Railroad</u>	<u>Percent of Railroad Property Value to County Property Value</u>
Howell	\$ 44,391,160	\$ 1,892,243	4
Iron	57,400,745	1,537,482	3
Jackson	2,030,639,872	11,265,217	1
Jasper	223,174,690	4,653,474	2
Jefferson	340,853,571	2,472,130	1
Johnson	89,819,233	2,410,940	3
Knox	23,051,268	1,497,392	6
Laclede	46,226,817	1,143,797	2
Lafayette	86,726,154	3,740,230	4
Lawrence	57,552,237	2,412,724	4
Lewis	30,174,185	1,225,921	4
Lincoln	65,830,856	1,228,082	2
Linn	42,913,349	2,077,094	5
Livingston	51,757,571	2,306,191	4
McDonald	21,698,400	942,966	4
Macon	45,777,427	3,257,483	7
Madison	26,998,825	0	0
Maries	20,277,971	163,221	1
Marion	79,858,402	1,680,679	2
Mercer	21,106,260	451,167	2
Miller	59,069,246	414,019	1
Mississippi	52,340,607	1,730,095	3
Moniteau	33,804,257	1,541,441	5
Monroe	33,193,391	1,462,570	4
Montgomery	45,793,379	1,797,856	4
Morgan	46,331,796	782,016	2
New Madrid	94,827,003	4,940,226	5
Newton	78,260,867	2,426,290	3
Nodaway	82,203,444	2,937,525	4
Oregon	17,279,978	457,135	3
Osage	34,149,085	1,497,996	4
Ozark	18,424,689	0	0
Pemiscot	62,149,712	3,092,755	5
Perry	52,241,011	1,129,391	2
Pettis	123,074,072	1,922,297	2
Phelps	67,373,723	1,028,233	2
Pike	76,411,501	1,754,582	2
Platte	170,123,261	1,477,052	1
Polk	35,613,561	1,074,971	3
Pulaski	30,377,028	1,060,245	3
Putnam	22,579,580	541,653	2
Ralls	38,416,654	842,254	2
Randolph	72,296,317	2,190,091	3
Ray	58,925,897	4,414,104	7

Table 6 (con't)

Assessed Property Values For Missouri Counties
and Railroads, 1977

<u>County</u>	<u>Total Assessed Property Value-County</u>	<u>Total Assessed Property Value-Railroad</u>	<u>Percent of Railroad Property Value to County Property Value</u>
Reynolds	\$ 32,652,679	\$ 0	0
Ripley	16,626,327	620,680	4
St. Charles	412,517,087	2,988,315	1
St. Clair	22,614,988	1,067,189	5
St. Francois	116,689,703	1,479,419	1
Ste. Genevieve	51,146,674	1,740,020	3
St. Louis	3,889,785,432	7,604,358	0
Saline	86,321,521	2,815,074	3
Schuyler	16,291,150	1,185,187	7
Scotland	24,484,792	1,131,347	5
Scott	86,413,370	3,035,913	4
Shannon	12,667,291	628,080	5
Shelby	30,794,362	666,843	2
Stoddard	74,882,516	3,914,140	5
Stone	33,269,739	990,294	3
Sullivan	23,381,139	1,131,679	5
Taney	46,601,638	695,811	1
Texas	33,084,075	562,775	2
Vernon	56,573,697	3,978,166	7
Warren	42,197,860	1,430,654	3
Washington	50,361,157	1,888,845	4
Wayne	19,701,219	1,217,197	6
Webster	37,625,290	1,566,678	4
Worth	17,516,450	413,546	2
Wright	26,064,000	893,461	3
St. Louis City	1,662,332,332	8,195,767	0
Total:	\$15,510,392,075	\$215,126,984	

Table 7

Relationship of Railroad Property Taxes to Local
Revenues in Missouri
(in millions)

<u>State of</u> <u>Missouri</u>	<u>Total Property</u> <u>Taxes</u>	<u>% of</u> <u>Total</u>	<u>R.R.</u> <u>Property</u> <u>Taxes</u>	<u>Total</u> <u>Local</u> <u>Revenue</u>	<u>Railroad Property</u> <u>Tax Percentage of</u> <u>Total Revenue</u>
County	\$147.0	15.86	\$1.2	\$ 338.5	0.34
Municipal	162.8	17.57	1.3	1,044.4	0.12
School	616.9	66.57	4.8	1,330.4	0.36
Total:	\$926.7	100.0	\$7.3	\$2,713.3	----

Source: U.S. Department of Commerce, Bureau of Census, Governmental Finances in 1975-1976,
(Government Printing Office, Sept. 1977).

Figure 2

Flow Chart of Missouri Railroad Property Tax
Administration (Nonunitary Method)

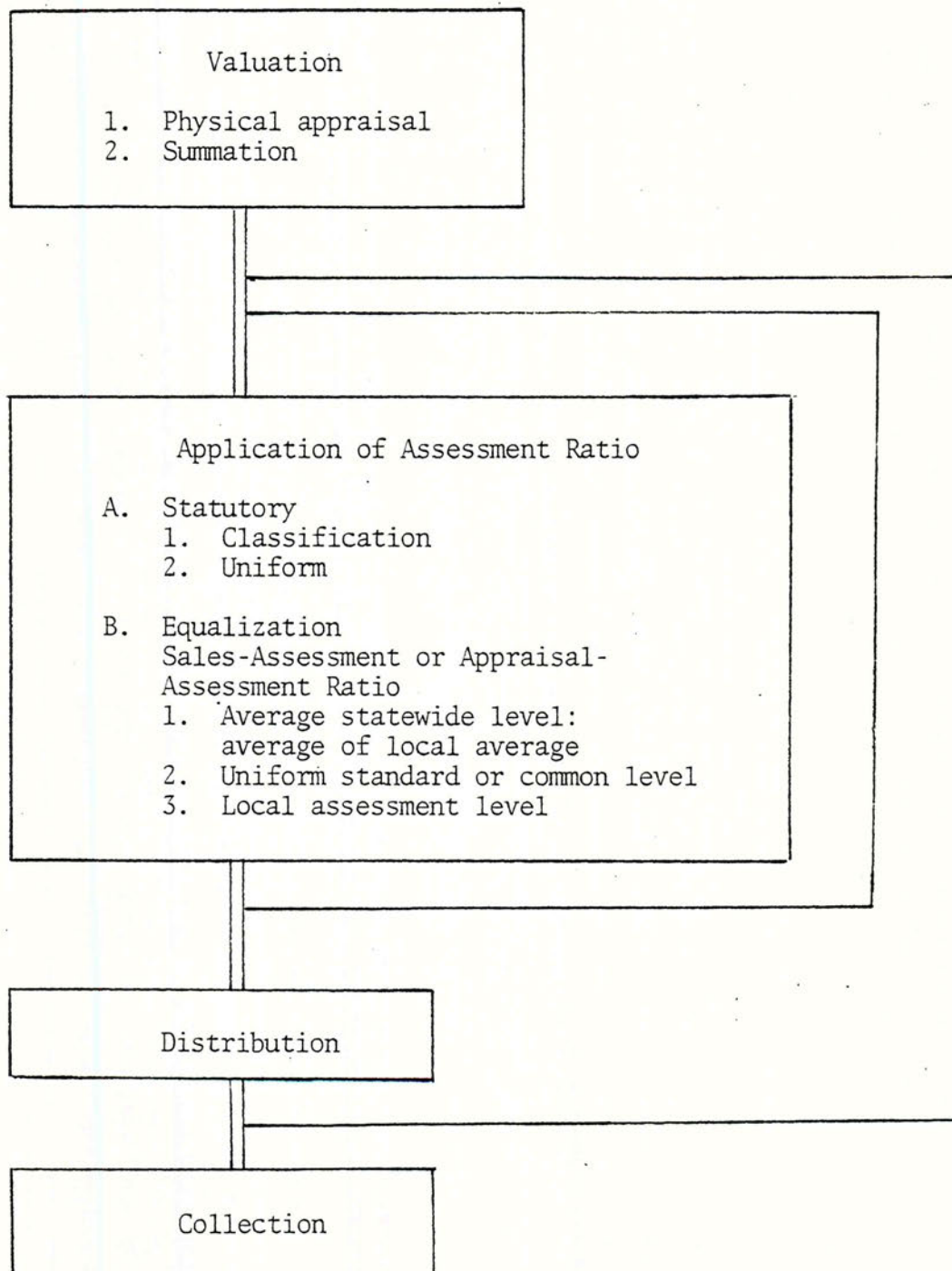


Table 8

Property Tax Relief MechanismGoals

<u>Economic Goals</u>	<u>State</u>	<u>Carrier</u>	<u>Community</u>
*Increase revenues/solvency of carrier	x	x	
*Reduce carrier's costs		x	
*Decrease costs to shippers	x	x	x
*Reduce state expenditures	x		
<u>Transportation Goals</u>			
*Maintain rail services to localities	x		x
*Encourage reasonable competition	x		x
<u>State Development Goals</u>			
*Promote economic growth	x	x	x
*Encourage settlement patterns consonant with state development plan	x		
*Maintain options for future access to freight generating activities	x		
*Reduce dependence on highways	x		
*Reduce excessive truck volumes on highways	x		x
<u>Community Goals</u>			
*Maintain economic base of localities	x		x
*Minimize physical dislocations	x		x

FOOTNOTES

¹William F. Lahner, Jr., State Rail Taxation, paper given at Midwestern Rail Transportation Issues--The State Role, at Fort Mitchell, Kentucky, November 28-29, 1978.

²Committee on Unit Valuation, Appraisal of Railroad and Other Public Utility Property for Ad Valorem Tax Purposes (Chicago, Ill.: Federation of Tax Administrators, June 1954), pg. 4.

³James F. Runke and Alan E. Finder, State Taxation of Railroads and Tax Relief Programs (Lexington, Ky.: Council of State Governments, Nov. 1977).

⁴Missouri State Tax Commission, 32nd Annual Report of the Proceedings and Decisions of the Missouri State Tax Commission (Columbia, Mo.: Kelly Press, Inc., 1977), pg. 20.

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